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SURVEYS ON THE INFORMAL SECTOR

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1. INTRODUCTION

1. The "informal sector" has been of great concern to statisticians the world over. It has somewhat been neglected on account of its relatively small impact on the economic activity of developed countries. Some empirical methods which vary according to individuals or groups of people have made it possible to get over these difficulties. With the expansion of statistical activities in developing countries, it has been possible to promote the "informal sector" as a statistics discipline in view of its economic importance. The era of empirical approach gave way to that of appropriate methodology which will constitute the main theme of this paper. Before developing this theme, however, let us see what the informal sector is all about.

2. DEFINITION OF THE INFORMAL SECTOR

2. The term informal sector suffers from two handicaps. Firstly, it is ambiguous, and secondly, it is confused with other expressions that have similar but not identical meanings.

2.1 The concept of informal sector

3. In the term "informal sector", there is the word "sector" which from the economic point of view has no sectoral meaning but rather a meaning that connotes categorization. There is also the word "informal" which in actual fact means unofficial or unconventional, but which from the statistical point of view means "something that cannot be easily grasped".

2.2 Possible confusions

4. The term informal sector has today become an established expression. Other expressions, however, are still being used, though wrongly. There are about ten of them: unstructured sector, unorganized sector, uncontrolled sector, underground sector, clandestine sector, parallel sector, unofficial sector, traditional sector, marginal sector and small-scale enterprise.

5. Informal sector is synonymous with unstructured sector. However, it has a meaning different from other meanings. We shall at this juncture give specific meanings of some of them to be able to compare them with that of the informal sector.

6. Underground sector is almost synonymous with clandestine sector. It is a sector that is not governed by any laws such as the law that prohibits hunting, fishing, manufacture of alcohol or alcoholic beverages, drugs...

7. Parallel sector would be linked to the sector that evades taxes.

8. Unofficial sector concerns activities not registered by an administration or public institution. This sector has much in common with the "uncontrolled sector".

9. An organized sector is the sector that is identifiable and controlled. A traditional sector is the opposite of modern sector; in other words it is the sector that uses traditional methods.

2.3 Definition of informal sector

10. With the above explanations, the definition of informal sector becomes easy. It is a sector that covers enterprises whose economic activities are statistically unknown due to lack of appropriate survey techniques. The word "enterprise" here is taken in its widest sense. It is a combination of a number of resources that make it possible to carry out an economic activity ranging from a small scale indoor activity to a large-scale and complex activity of a big enterprise. Furthermore, the word "enterprise" is not taken here in a very strict sense. It may imply an establishment.

11. Theoretically, statistical misconception may affect only the structuring of the sector into enterprises or the characteristics of the latter. Generally, however, it affects both.

3. GUIDING PRINCIPLES CONCERNING SURVEYS RELATING TO THE INFORMAL SECTOR

12. A survey on the informal sector is basically a survey on enterprises using household survey techniques. For purposes of clarification, it is necessary to make a distinction between the two major phases of a sample survey, namely the sampling of units to be observed and observation of the characteristics of the sampled units.

13. Sampling is obviously linked to the existence of a sampling frame. No African country has a sampling frame on all the economic enterprises operating in the country. What they have in most cases is information on the delineation of the country into enumeration areas for census purposes.

14. Since sampling is a two-stage operation, as will be seen later, the main problem is that of having in each area drawn in the first stage of sampling, enterprises to be observed. It is possible to envisage, a priori, a scenario in which business premises corresponding to the total number of enterprises are counted in each zone, and then a sample of the business premises is taken. However, unfortunately the danger inherent in this method is that activities with no fixed premises might be left out: mobile and indoor economic activities.

15. There is need therefore for another scenario which does not eliminate enterprises before sampling. The procedure is to make a list of households in each area, sampling households therefrom and on the basis of the results obtained, identifying enterprises from the population of the household drawn and obtaining the status of heads of enterprises (employer or self-employed).

16. Characteristics to be observed relate to the output of the enterprise, value added, intermediate consumption, income and labour.

4. IMPORTANCE OF SURVEYS ON THE INFORMAL SECTOR

4.1 Situation of surveys on the informal sector

17. Most African countries have economic data on enterprises usually based on annual surveys on industrial and commercial enterprises. Some countries such as Côte d'Ivoire and Gabon, publish annual reports giving a summary of the balance sheets and turnover. In the case of the two countries referred to above, the surveys covered 2,500 and 1,200 enterprises respectively.

18. The main inconvenience lies in the fact that in all cases, the information provided is incomplete in that it covers only a very limited number of enterprises, the major ones are those which have accounting documents. The number of enterprises covered by the survey is generally in the region of 2,000 for each country.

19. To be able to conduct regular surveys, there is need for a sampling frame to be kept up-to-date through which the number of enterprises is known. This sampling frame (index card) is generally prepared on the basis of tax declarations by enterprises. There are two types of declarations corresponding to two modes of taxable profit, proportional profit and fixed profit.

20. Whereas proportional taxable profit concerns only large enterprises which are compelled to keep accounting books, fixed taxable profit concerns all other registered enterprises, that is to say small enterprises which can operate without accounts books or with simplified accounting books.

21. Whether one conducts surveys or collects balance sheets, the economic data in most cases concerns only large enterprises. Data on all the other enterprises are unknown. We are here referring to enterprises with fixed taxable profit and those which are not registered. These include mainly mobile and home enterprises. The informal sector is made up of all unknown enterprises.

4.2 Scope of surveys on the informal sector

22. It can be inferred from the foregoing that surveys on the informal sector concern employer and self-employed enterprises that are not compelled to follow any comprehensive accounting system. These enterprises belong to all the sectors of economic activity, with the exception of the agricultural sector, whose data collection techniques are very special and which in most cases are the subject of a special survey.

23. For information purposes, below is the simplified standard nomenclature of the informal sector (activity and related professions).

1. Mines and quarries

Gold mining
Quarrying
Sand collection
Charcoal trade

2. Processing of agricultural and food products

Baker
Butcher
Miller, triturator
Shea butter maker

3. Textiles, clothing, leather

Weaver
Dyer
Tailor, embroiderer
Shoemaker and leather worker

4. Timber and other industries

Carpenter, cabinet maker
Boat maker
Straw-hat weaver
"Secco" maker

5. Building materials and pottery

Brick maker
Potter

6. Metal processing

Blacksmith
Goldsmith

7. Miscellaneous industries
 - Soap maker
 - Basket weaver
8. Building construction
 - Jobber
 - Mason
9. Trade
 - Foodstuffs
 - Commodities other than food
 - Petty traders, stall-holder
10. Transport
 - Taxi and passenger cars
 - Goods transport
11. Restaurant management, beverages
 - Restaurants, cheap restaurants
 - Bars
12. Services
 - Shoe repairs
 - Auto repairs
 - Motorcycle and bicycle repairs
 - Radio and television repairs
 - Watch repairs
 - Photographer
 - Barber
 - Circumciser

4. 3 Usefulness of surveys on the informal sector

24. The above-mentioned points make it possible to understand the importance of surveys on the informal sector. Their most immediate effects appear at the level of economic accounts and employment statistics. The above surveys, in providing data on economic activity, improve the aggregates of several sectors: value added, intermediate consumption, investment and income.

25. Positive effects also appear at the level of planning which have a more effective preparation and follow-up mechanism.

26. A more thorough knowledge about employment makes it possible to better appreciate production potentials and plan employment training accordingly.

27. In an economic situation characterized by structural adjustment constraints, as is the case in most African countries, surveys on the informal sector could help in no small way in making a better assessment of the social impact.

5. EXPERIENCE DERIVED FROM SURVEYS ON THE INFORMAL SECTOR IN AFRICA

28. The purpose of this paper is not to make an exhaustive examination of surveys relating to the informal sector. Only a few cases will be examined.

29. Tunisia plays a leading role in this regard. The first surveys were conducted in the 1970s.

30. Rwanda conducted a survey in 1983-1985 by linking a survey on the informal sector with a budget/consumption survey. The results were satisfactory.

32. Mali was expected to conduct, in 1989, a survey on the informal sector within the framework of AHSCP. According to the information available, preparations for the conduct of the said survey were completed in May. In view of that country's rich experience in the field of surveys and the excellent preparations made under the supervision of an outstanding specialist, I can exceptionally mention his name: Mr. Charme, the survey in Mali will serve as a model in Africa. Concern should be expressed, however, regarding the size of the sample. It is quite a large sample and it is feared that it might affect the cost and make the the operations of the survey difficult. This question will be dealt with later.

32. Niger recently conducted a survey on the informal sector using the enterprise rather than the household technique. The results have not yet been received.

33. Côte d'Ivoire conducted a survey based on the Municipality licenses with the authority of the Municipality.

6. METHODOLOGY

34. The following methodological overview is given for information purposes. The aim is to highlight some important points. Emphasis will be placed on three aspects, namely the sample size, sample design and questionnaire design. The case of Mali will serve as an example.

6.1 Sample size

6.1.1. Method

35. The method used regarding the survey conducted in Mali is a judicious one. It starts with the number of headings contained in the nomenclature of activities/professions (11 in the case of Mali and 12 in the case mentioned earlier on). It then fixes the average number of heads of enterprises (employer or self-employed according to heading) which in the case of Mali range between 50 to 100; an excessively high figure in our opinion. We shall limit it to 25 in the urban area and 10 in the rural area. This means that the number of headings contained in the nomenclature will have if necessary to be regrouped. The number of heads of enterprises to be observed is fixed, and on the basis of the percentage corresponding to this number (in our example the 1985 figure of the demographic survey was used):

39.4 per cent in the urban area and
7.6 per cent in the rural area

and the average of the active population by household (2), the number of households to be observed is calculated.

36. The survey conducted in Mali covered 10,195 households (2,350 in the urban areas and 7,840 in the rural areas) and concerned only 2 domains of study without extending the results to the regional level.

6.1.2 Solution for one case

37. A country is divided into 7 regions. In each region a distinction is made between the urban area and the rural area. The country constitutes the universe, the region, the sub-universe, the area of a sub-universe, a stratum or a domain of study represented here by DS.

Calculation

1. Number of heads of enterprise according to urban DS

$$25 \times 12 = 300$$

2. Number of heads of enterprise according to rural DS

$$10 \times 12 = 120$$

3. Number of active population by urban DS

$$300 \div 0.394 = 761$$

4. Number of active population by rural DS

$$120 \div 0.076 = 1,579$$

5. Number of households to be drawn by urban DS

$$761 \div 2 = 380$$

6. Number of households to be drawn by rural DS

$$1,579 \div 2 = 790$$

By sampling: 12 households by urban SE* and 24 on rural SE, one gets: 32 SE for one urban DS, 33 SE for one rural DS.

The overall size of the sample is therefore:

	<u>Urban area</u>	<u>Rural area</u>	<u>Total</u>
Number of DS	7	7	14
Number of SE/DS	32	33	
Number of household/SE	12	24	
Total number of SE	224	231	455
Total number of households	2688	5544	8232

6.2 Sample design

38. The sampling design is a two-stage process.

- The first stage is that of sampling SEs with unequal probabilities proportionate to their size expressed in numbers of households.
- The second stage involves sampling a constant number of households (12 in the urban area and 24 in the rural area) in each SE drawn.

39. The population of households drawn is then enumerated to identify the heads of enterprise (employer or self-employed).

* SE = Enumeration section

6.3 Questionnaire design

40. There are three documents with the exception of sampling frame and additional questionnaires:

- Household identification form relating to SEs drawn
- Household questionnaire
- Enterprise questionnaire

41. The following five simple additional questionnaires may be included for purposes of observation and checking of results:

- Agriculture, animal husbandry, fishing and game module
- Income module
- Unemployment module
- Inactive population module
- Family assistance and apprenticeship module

VII. CONCLUSION

42. With surveys on the informal sector, African statisticians have a new powerful tool which enables them to enrich their statistical data heritage and have a better knowledge about the continent's human resources. It is an easy tool for countries with experience even modest in the field of household surveys. There is no doubt that household survey will be one of the main themes of statistics during the last decade of the twentieth century.